

Independent  
Community Bankers  
of Minnesota

*Always with you. Always for you.*

August 12, 2008

Mr. Gary K. Van Meter, Deputy Director  
Office of Regulatory Policy  
Farm Credit Association  
1501 Farm Credit Drive  
McLean, VA 22102-5090

Dear Mr. Van Meter:

On behalf of Independent Community Bankers of Minnesota (ICBM), I write today to state our association's strong opposition to FCA's "Rural Community Investments" proposal. ICBM is an association representing privately held Minnesota banks with charters and branches at nearly 600 bank locations statewide.

ICBM opposes this proposal because we question its legality and do not believe it is consistent with legislative intent. In short, this proposal would drastically change the mission of this retail government sponsored enterprise (GSE) from a farm lender to a general purpose lender and do so by rulemaking rather than Congressional approval.

There is no statutory basis supporting the proposed regulation. Congress has not debated, considered nor authorized FCS to make loans for any of the purposes that FCA outlines. Furthermore, Congress just considered a proposal that would have greatly expanded FCS lending authority – *Horizons* – and adamantly rejected it! After Hurricane Katrina Congress also rejected a request by FCA to allow Farm Credit System Institutions (FCSIs) to finance housing in declared disaster areas. ~~Congress also rejected that proposal.~~ For FCA to now suggest that financing activities that would otherwise be illegal under the Farm Credit Act (Act) is consistent with congressional intent if these activities are labeled or considered to be "investments" is inappropriate and without statutory authority.

Instead of targeting "mission-related" investments, the proposal allows a vast array of financing for activities unrelated to agriculture and outside the scope of the Farm Credit System's (FCS) mission. Those proposed investments include restaurants, hotels, commercial buildings, manufacturing and other purposes that FCA may approve in the future. This is a dramatic shift away from those customers FCS was created to serve, farmers and ranchers, in favor of activities not actually related to production agriculture. This shift does not serve farmers or ranchers and may hurt them if FCS money is diverted from those mission oriented purposes.

Further, the proposed shift would put current FCS borrowers' capital at risk. This means capital placed in the System by today's farmers and ranchers would be at risk and used for purposes unrelated to agriculture. However, the new customers that would receive financing under this proposal would not be required to contribute to the capital of the System. This is contrary to the cooperative nature of FCS.

Regarding proposed "rural investments," it is troubling that FCA defines "rural" as communities up to 50,000 people. The Census Bureau defines rural as towns of 2,500 or fewer. In contrast, the Farm Credit Act limits non-farm financing for rural home mortgages to towns of 2,500 or less and for water and waste disposal (essential community facilities) to towns of 20,000. FCA's new "rural" definition would allow FCS financing near large cities, while ignoring financing in remote rural areas which the System was established to serve originally. This proposal is not intended to address any real capital access issues that may exist in rural areas. The proposal's real goal is to expand FCS powers. In Minnesota, the proposed definition of "rural" would allow FCS to make "investments" in any city except for about a dozen.

FCA has provided no evidence that the availability of credit is lacking in communities within their definition of "rural." If FCA believes this policy change is necessary, we believe FCA should provide clear evidence of the need prior to making the policy change. Minnesota, compared to other states, has the third highest number of banks in the nation. To assume a lack of credit exists in all areas under 50,000 population is an assumption without evidence and denies differentiating realities between communities and states.

FCSIs are limited purpose government-sponsored-enterprises (GSEs) which were established for a specific agriculture related mission and provided tax and funding advantages so that they might be successful in achieving that mission even within a high-risk environment. If FCA desires to change that mission, the change should be made with Congressional approval and oversight, not by FCA through the rulemaking process. This latest proposed rule is nothing more than a variation of the recently failed Horizons proposal which also proposed to significantly shift and expand the focus of this GSE from a farm lender to a general purpose lender.

This is a self-serving proposal. Disguising it with the appearance of good intentions does not change that fact. FCS testified before Congress last year during the Horizons debate that there are *no credit gaps* in rural America. Congress has not authorized FCS entities to be broad-based rural development lenders. The proposal is inconsistent with legislative history and the Farm Credit Act.

ICBM respectfully requests that FCA withdraw the proposed regulation entitled "Investments in Rural America."

Respectfully,

A handwritten signature in black ink, appearing to read "Marshall MacKay". The signature is fluid and cursive, with the first name "Marshall" being more prominent than the last name "MacKay".

Marshall MacKay  
President/CEO